

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1070 - SB 1417

April 10, 2019

**SUMMARY OF ORIGINAL BILL:** Authorizes Weir Park in Clay County to sell alcoholic beverages for on-premises consumption.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$300/One-Time/ABC Fund  
\$2,000/Recurring/ABC Fund  
\$8,500/Recurring/General Fund

Increase Local Revenue - \$7,800/Recurring/Permissive

**SUMMARY OF AMENDMENT (008055):** Deletes and replaces all language after the enacting clause such that the only substantive change authorizes, in addition to Weir Park in Clay County, the following establishments to sell alcoholic beverages for on-premises consumption: the Capitol Theatre in Lebanon, the Blake at Kingsport, the Center for the Arts in Murfreesboro, and the El Fogon Restaurant in Middle Valley.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue - \$1,500/One-Time/ABC Fund  
\$3,600/Recurring/ABC Fund  
\$42,700/Recurring/General Fund

Increase Local Revenue - \$38,400/Recurring/Permissive

Assumptions for the bill as amended:

*Weir Park – Clay County*

- This legislation applies to Weir Park in Clay County.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.

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- Local privilege tax is estimated to be \$1,500 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Clay County is 2.75 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcoholic beverages in FY19-20.
- Based on the interquartile average of 2018 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,548  $[(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$ .
- The permissive recurring increase in local revenue is estimated to be \$7,802  $[\$1,500 + (\$60,000 \times 2.75\%) + (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$ .
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

#### *Capitol Theatre - Lebanon*

- This legislation applies to the Capitol Theatre in Lebanon, TN.
- There is an initial application fee of \$300 and a \$150 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,500 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Lebanon is 2.25 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcoholic beverages in FY19-20.

- Based on the interquartile average of 2018 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,548  $[(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$ .
- The permissive recurring increase in local revenue is estimated to be \$7,502  $[\$1,500 + (\$60,000 \times 2.25\%) + (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$ .
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

#### *The Blake at Kingsport*

- This legislation applies to The Blake at Kingsport retirement center.
- There is an initial application fee of \$300 and a \$500 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,500 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Sullivan County is 2.75 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcoholic beverages in FY19-20.
- Based on the interquartile average of 2018 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 per year.

- The recurring increase in state revenue to the General Fund is estimated to be \$8,548  $[(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$ .
- The permissive recurring increase in local revenue is estimated to be \$7,802  $[\$1,500 + (\$60,000 \times 2.75\%) + (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$ .
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

*Center for the Arts –Rutherford County*

- This legislation applies to the Center for the Arts in Murfreesboro.
- There is an initial application fee of \$300 and a \$150 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,500 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Rutherford County is 2.75 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcoholic beverages in FY19-20.
- Based on the interquartile average of 2018 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,548  $[(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$ .
- The permissive recurring increase in local revenue is estimated to be \$7,802  $[\$1,500 + (\$60,000 \times 2.75\%) + (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$ .
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

*EL Fogon Restaurant – Hamilton County*

- This legislation applies to the El Fogon Restaurant in Middle Valley, TN.
- There is an initial application fee of \$300 and a \$750 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).

- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,500 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Hamilton County is 2.25 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcoholic beverages in FY19-20.
- Based on the interquartile average of 2018 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,548  $[(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$ .
- The permissive recurring increase in local revenue is estimated to be \$7,502  $[\$1,500 + (\$60,000 \times 2.25\%) + (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$ .
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

*Total – State and Local Revenue*

- The total recurring increase in state revenue to the General Fund is estimated to be \$42,740  $(\$8,548 + \$8,548 + \$8,548 + \$8,548 + \$8,548)$ .
- The total one-time increase in state revenue to the ABC is estimated to be \$1,500  $(\$300 + \$300 + \$300 + \$300 + \$300)$ .
- The total recurring increase in state revenue to the ABC is estimated to be \$3,550  $(\$2,000 + \$150 + \$500 + \$150 + \$750)$ .
- The total permissive recurring increase in local revenue is estimated to be \$38,410  $(\$7,802 + \$7,502 + \$7,802 + \$7,802 + \$7,502)$ .

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jdb